The slide features a white central area with green geometric shapes on the left and right sides. The text is centered in the white area.

Nelson County Budget Overview June 9, 2020 Public Hearing

Fiscal Year 2020/2021
July 1, 2020 - June 30, 2021

2020 Tax Rates

- ▶ No change in tax rates.
- ▶ All tax rates are levied per \$100 of assessed value
- ▶ Real Estate and Mobile Home tax rate \$0.72
- ▶ Personal Property tax rate \$3.45
- ▶ Machinery & Tools tax rate \$1.25

The proposed budget is based on no change in the tax rates.

Real Estate and Mobile Home \$0.72 per \$100 assessed value

Tangible Personal Property Tax rate is \$3.45

Machinery & Tools tax rate is \$1.25

Note: Real Estate & PP rates were last changed in 2014

Budget Funds

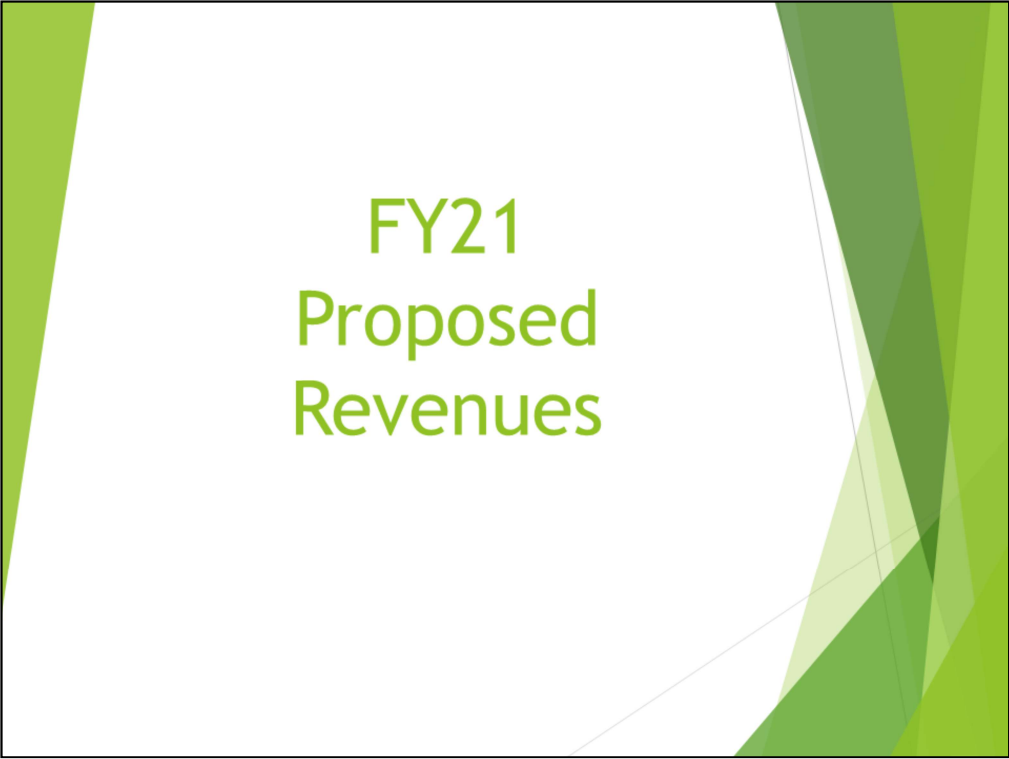
- ▶ General Operating Fund
- ▶ School Operating, Textbook & Cafeteria Funds
- ▶ Debt Service Fund
- ▶ Capital Fund
- ▶ Piney River Water/Sewer Enterprise Fund

The County utilizes a fund accounting system for tracking budgetary and financial activity. The Board is considering proposed budgets for each of the 7 funds denoted on the screen. I will briefly overview the 2 largest funds... the General fund and the School Fund.

(The General Fund often supports other funds as is the case with the School Fund and the Debt Service Fund.)

(The remaining funds are generally project oriented or related to an enterprise operation such as Piney River water & sewer operations.)

Note: The Broadband budget will be addressed by the Nelson County Broadband Authority. Due to the business nature of this fund, it does not have the same public hearing requirements, etc. The budget serves as a business planning tool.



FY21 Proposed Revenues

**FY20-21 GENERAL FUND BUDGET
COMPARED TO FY19-20 As of May 2020**

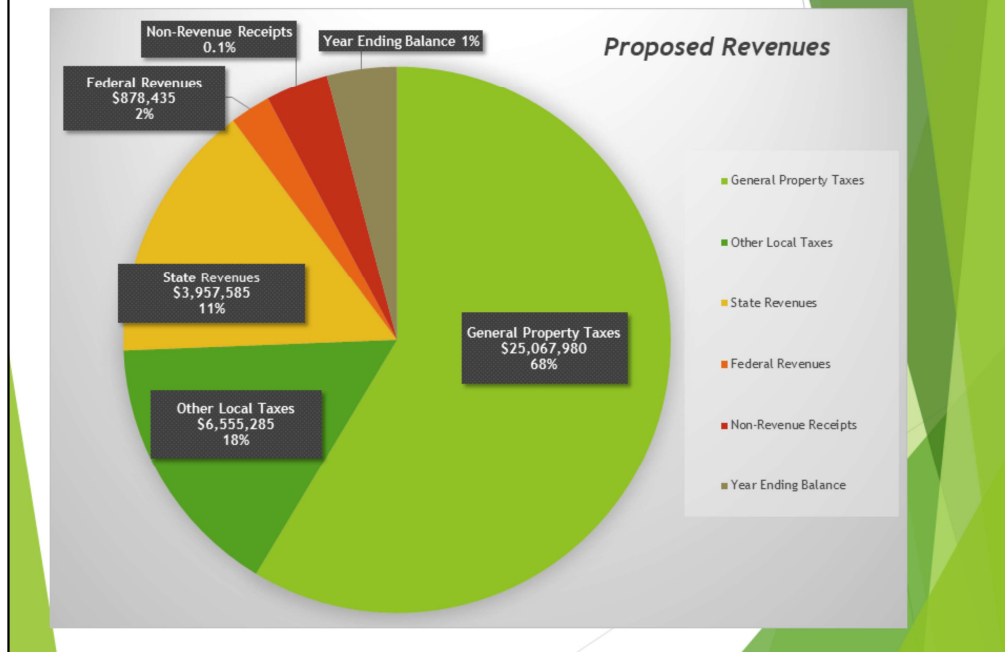
► FY19-20	\$44,449,452
► FY20-21	<u>\$36,943,981</u>
Decrease	- \$7,505,471
% Change	-16.89%

**Excluding FY20 Capital Project Funds
and Prior Year Balances Used to Offset
COVID-19 Tax Relief, Overall Revenues
for FY21 Decreased -\$363,278 or 1.0%.**

Compared to the current year budget as amended (through 5/20), the proposed General Fund budget reflects a decrease of \$7,505,471 which is a -16.89% decrease.

Note: This decrease can be attributed primarily to the completion of two major projects in FY20 – the Blue Ridge Tunnel and Library Expansion projects which utilized FHWA/VDOT and Recreational Trails grant funding and bond proceeds respectively. Excluding these funds and prior year balances used to offset the FY20 COVID-19 Tax Relief in this comparison, Overall Revenues decreased -\$363,278 or -1.0%.

FY21 Proposed Revenues By Major Category



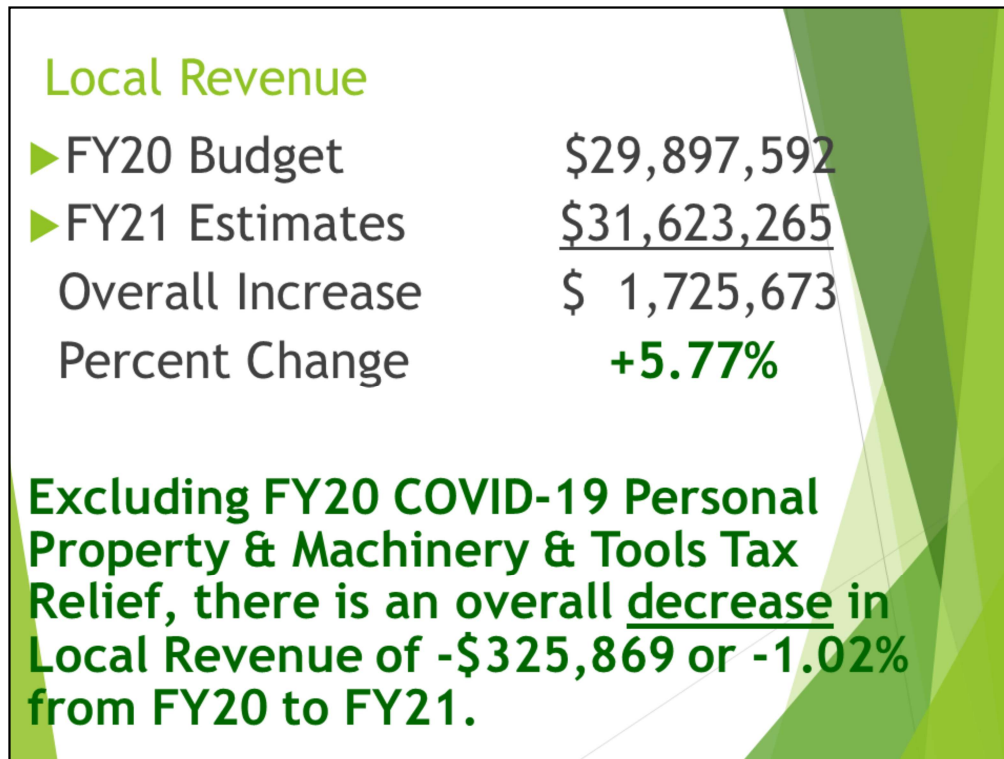
Local Revenue consisting of General Property taxes and other Local Taxes make up 86% of the overall budgeted revenue.

Total Anticipated Local Revenues are \$31,623,265.

State Revenues account for 11% at \$3,957,585

Federal 2% at \$878,435,

Non-revenue receipts and Year Ending Balance are 1.1% of the total at \$20,000 and \$464,696 respectively.



FY21 local revenue makes up about **86% of the total General Fund budget** at \$31.6 Million dollars.

The **primary source of local revenue is general property taxes** (\$25,067,980) which accounts for **68%** of all local revenue

The FY21 budget reflects a 5.77% increase when compared to the FY20 amended budget through May 2020; However, this is due to the amended FY20 budget that reflects COVID-19 Personal Property and Machinery and Tools tax relief that would not be realized as local revenue. Were this revenue realized, anticipated Local Revenue for FY21 would be approximately -325,869 or -1.02% less than in FY20.

Significant Local Revenue Factors

- ▶ **General Property Taxes** reflect a budgetary increase of \$1,996,063 (8.0%) in FY21; however without FY20 COVID-19 Personal Property and Machinery & Tools tax relief, General Property Taxes decrease -\$55,479 or -0.2%
- ▶ **Local Sales Tax** is expected to decrease by -\$246,106
- ▶ **Meals & Lodging Taxes** are projected to increase slightly (+\$27,128) from FY20; however the effects of COVID-19 on the last quarter of FY20 and FY21 are indeterminate at this time.
- ▶ **Court Fines & Forfeitures** are projected to decrease -\$111,000
- ▶ **Interest Earnings** are also expected to decrease by -\$110,000
- ▶ **Non-revenue Receipts** are decreasing -\$1,811,623 primarily due to use of bond proceeds in FY20 related to the Nelson Memorial Library expansion and renovation project that will not re-occur in FY21.

Other revenue factors impacting the proposed budget include...

General Property Taxes reflect an estimated budgetary increase of \$1,996,063 however, taking into account FY20 COVID-19 PP & MT tax relief, GP taxes are anticipated to decrease by approximately -55,479 or -0.2%. GP Taxes include Real Estate, Personal Property, M&T, Public Service taxes and delinquent taxes, penalties and interest.

The ultimate effects on local revenue for both the last quarter of FY20 and FY21 are presently indeterminate however;


Real Estate Taxes are expected to increase slightly with increases in Permit Fees and Recovered Costs . Meals and Lodging Tax is expected to grow slightly however will be monitored closely going forward. These increases will offset declines in:

Local Sales Tax is expected to decrease -\$246,106 and

Court Fines & Forfeitures are anticipated to be -\$111,000 less in FY21; however implementation of e-ticketing could effectively improve these receipts.

Interest earnings are expected to decrease -\$110,000 in the next year and

Non-revenue Receipts will decline significantly due to the conclusion of use of bond proceeds for the Nelson Memorial Library expansion and renovation project that will not recur in FY21



State Revenue (Excluding Non-recurring Grants)	
► FY20 Budget	\$4,052,689
► FY21 Estimates	<u>\$3,957,585</u>
Overall Decrease	-\$95,104
Percent Change	-2.3%

State revenue excluding non-recurring grants of \$3,566,859 primarily for the Blue Ridge Tunnel project is shown. Including grant funding, State Revenue makes up **11% of the total General Fund budget in FY21**. Throughout the year, state grant funds will be appropriated as awarded or received.

State funding within the General Fund includes: Compensation Board funding for Constitutional Offices and state support of public assistance (DSS) and At Risk Youth programs which both show increases of 10.2% and 1.67% respectively.

Next year's budget reflects an overall decrease of approximately -\$95,000 thousand or -2.3%. This is attributable to the State's elimination of the localities' share of Tax on Deeds for FY21 due to COVID-19.

Federal Revenue (Excluding Non-Recurring Grants)

► FY20 Budget	\$ 802,641
► FY21 Estimates	<u>\$ 878,435</u>
Overall Increase	\$ 75,794
Percent Change	9.4%

Federal revenue makes up 2% of the total General Fund budget. Generally, federal sources include social services funding, Children's Services Act Funding, the payment in lieu of taxes relative to national forestland located in Nelson (from the U.S. Bureau of Land Management) and various federal grants.

The increase reflected here is due to support of Social Services programs and At Risk Youth programs. Additionally, Victim Witness funding was lumped in total into the State Revenue category and is now being split budgetarily between State and Federal funding categories.

All Sources of Revenue

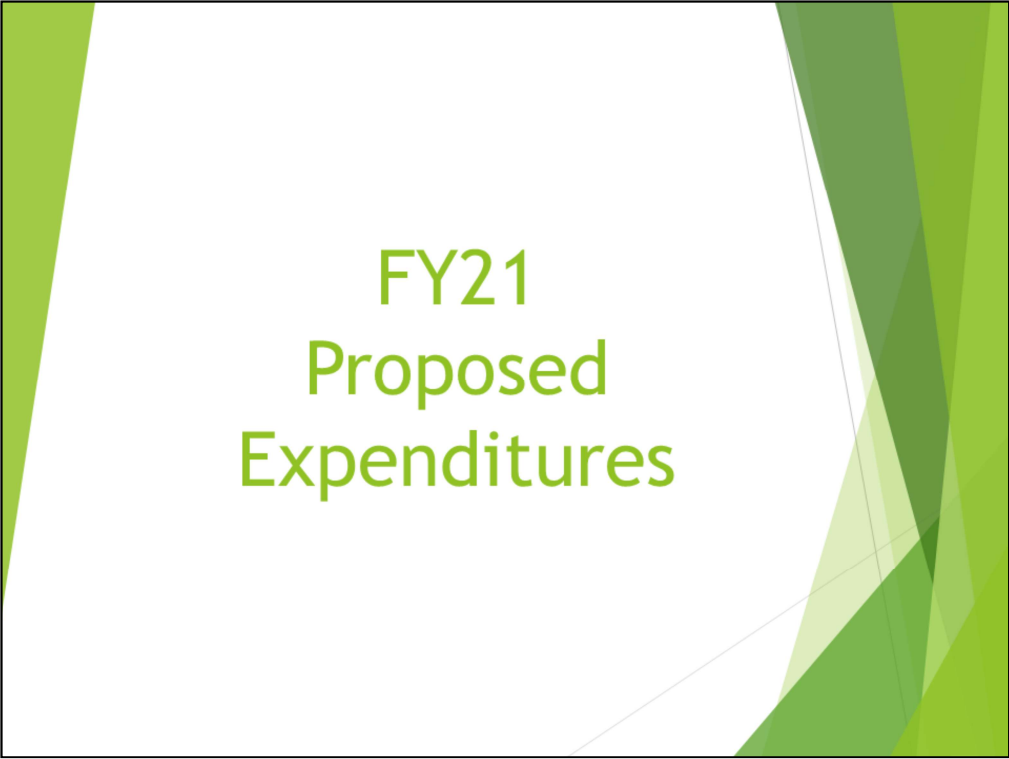
▶ Local	\$31,623,265
▶ State	\$ 3,957,585
▶ *Federal	\$ 878,435
▶ Non-Revenue Sources	\$ 20,000
▶ Year Ending Balance	<u>\$ 464,696</u>
Total	\$36,943,981

*Up to \$1.3M in CARES Act COVID-19 Stimulus Funding Is Anticipated to Be Added to FY21 Revenue.

Local, state, and federal revenues, and non-revenue sources together with prior year ending balance (funds on hand at year end) make up all projected revenue supporting the FY21 proposed expenditures. It is anticipated that up to \$1.3M in Federal CARES Act Covid-19 Stimulus funding will be added to FY21 Revenue. These funds must be utilized for COVID-19 qualifying expenses per the Act for the time period of March 1, 2020 to December 30, 2020. Some minor level of expenditure is expected in FY20 with the majority to occur in FY21.

FY21 Non-Revenue Sources includes \$20,000 in anticipated insurance recoveries.

The year ending fund balance FY21 Includes carryover of estimated unexpended FY20 Capital project funding that will be now completed in FY21. These are the microwave network upgrade at \$369,500, replacement of the water tank at the Heritage Center for \$82,696, and implementation of an Email Archive solution for \$12,500.



FY21 Proposed Expenditures

**FY20-21 GENERAL FUND BUDGET
COMPARED TO FY19-20 As of May 2020**

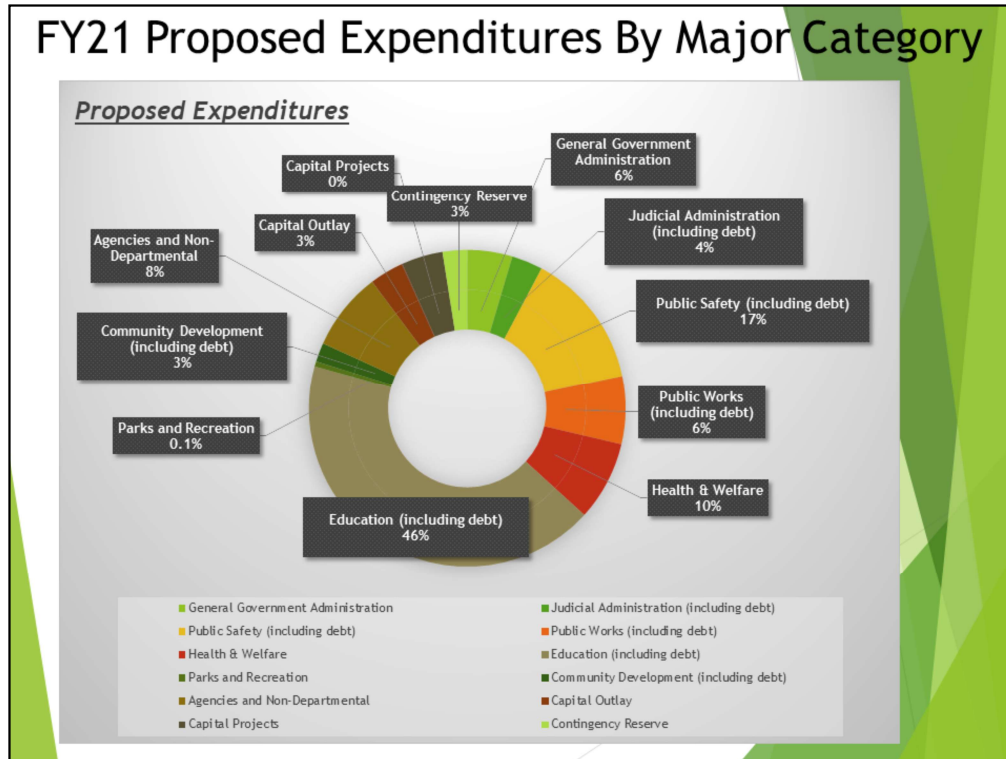
► FY19-20	\$44,449,452
► FY20-21	\$36,943,981
Decrease	- \$7,505,471
% Change	-16.89%

Excluding Capital Projects and major Non-recurring expenditures, FY21 Expenditures are -\$636,978 or -1.7% less than in FY20.

Compared to the current year budget as amended (through 5/20), the proposed General Fund budget reflects a decrease of -\$7,505,471 which is a -16.89% decrease.

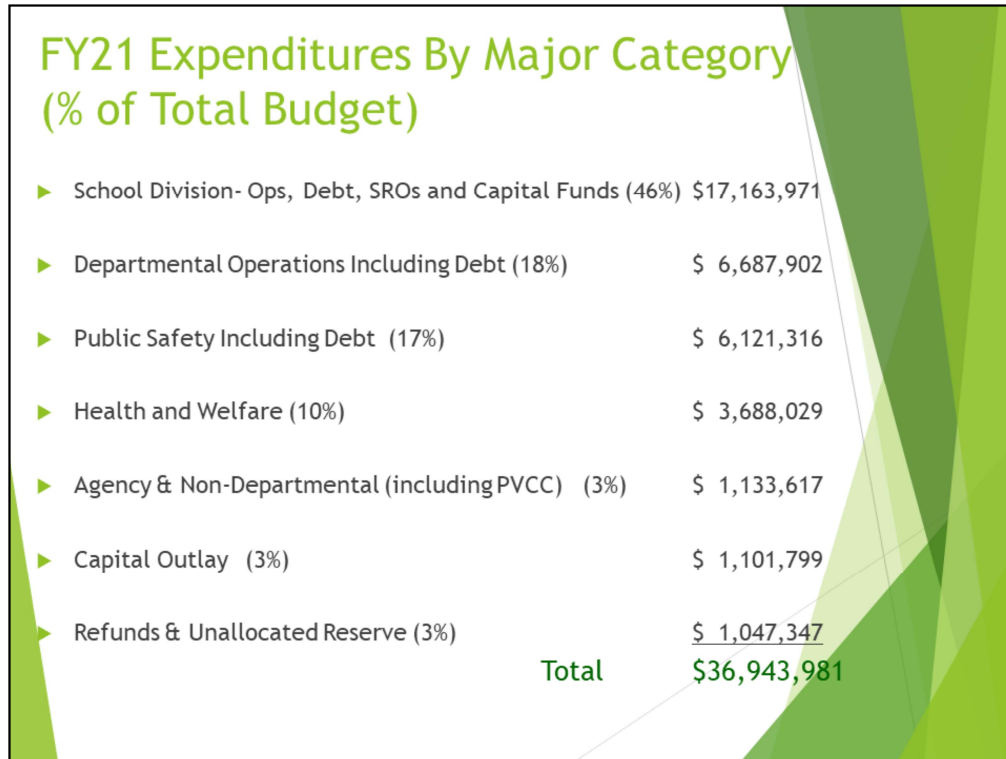
Note: This decrease can be attributed primarily to the completion of two major projects in FY20 – the Blue Ridge Tunnel and Library Expansion projects. Additionally, expenditures for Capital Outlay and Capital Reserves for Schools, Motor Vehicles, and prepayment of debt are significantly reduced from FY20. **Excluding these non-recurring items, FY21 expenditures represent a decrease of -\$636,978 or -1.7% from those of FY20**

FY21 Proposed Expenditures By Major Category



Total FY20 Expenditures equal revenues at \$36,943,981. In looking at how revenue dollars are spent, this graph shows major categories of expenditures as a % of total budget.

The largest category of expenditures shown is Education (46%) - \$17 Million including debt of \$1,862,017 and SRO Reserve funding of \$207,132.



Following the largest GF expense of \$17 Million (46% of total budget) for the School Division is:

Departmental operations overall including debt will cost \$6.7 million or about 18% of the budget. This includes General Government and Judicial Administration, Public Works, Parks and Recreation, and Community Development (including debt)

Public Safety including debt is 17% or 6.0 Million with Health and Welfare and Agency and Non-Departmental being 10% and 3% respectively.

Capital Outlay is expected to be \$1.1 million or 3% Which includes \$960,000 for Emergency Service related expenditures. The budget also includes refunds and an unallocated Contingency Reserve of \$1.0 Million. Additionally, the School Resource Officer Reserve of \$207,132 is maintained in FY21 Shown here as part of the School Division funding.

Expenditure Highlights:

Personnel:

- ▶ No Salary Adjustment Included
- ▶ Includes Required Benefit Increases of \$119,687
- ▶ No New Positions Included
- ▶ 3 Full-time School Resource Officers Maintained

Given the COVID-19 environment we are in, the proposed expenditures reflect the financial uncertainty going forward effected by Coronavirus. The current recommended budget is \$1.6 Million less than the requested expenditure budget with \$606,000 in proposed expenditure reductions being made in light of Coronavirus after its introduction.

Particular items to note that are and are not included in the FY21 budget: No employee salary adjustment, no new positions, required benefit increases and maintenance of 2 Full-time SRO positions. State SRO Grant funding for FY21 has been approved and will offset these costs.

Expenditure Highlights:

Public Safety & Emergency Services:

- ▶ No Public Safety Vehicles Included
- ▶ 7.0% increase in Regional Jail Costs
- ▶ Emergency Services Vehicle - Faber Fire Rescue/Pumper
- ▶ Emergency Communications and 911 Center Upgrades
- ▶ Public Safety Microwave Network Upgrade

The budget does not include funding for Police Vehicles and Equipment or any new vehicles. It does include 80% funding to support purchase of 1 Rescue Pumper Vehicle for Faber Fire Department.

Regional Jail cost increases are due to higher utilization; ACRJ uses a 5 year average prisoner population to help smooth out annual increases; however with annual utilization on the rise, average annual costs will also rise over time.

The budget also includes upgrades to the Emergency Radio Communications system and ECC and current Microwave Network which provides for public safety radio communications. The County has been awarded grants that will offset some of these costs.

Other Highlights:

- ▶ Level Funding of Most County Departments
- ▶ Level Funding of Most Agency Contributions & No New Agency Funding
- ▶ Miscellaneous Capital Outlay
 - ▶ Epoxy Animal Shelter Floor
 - ▶ Replacement of Water Tank for Tye River System
 - ▶ Software and IT Related Items
- ▶ Recurring Contingency Reserve of \$1.02 Million

The budget also includes level funding of expenditures for most County Departments. Additionally, most Agency contributions were level funded with no new Agency contributions included.

Also included are miscellaneous Capital outlay items such as re-epoxying the animal shelter floor which is a regulatory requirement, replacement of the water tank that serves the Tye River system, and several IT related items. Additionally, there is an unallocated recurring Contingency Reserve of \$1.02 million. These funds can be used for one-time expenditures without impacting future operations.

Local Contribution to Schools

▶ School Operations	\$14,929,887 no change
▶ School Nursing Program	\$164,935 no change
▶ 3 SRO's (General Fund)	\$207,132 no change
▶ Reserve for Capital (General Fund)	<u>\$ 0.00 - \$859,913</u>
Total Contribution	\$15,301,954
▶ School Debt	\$ 1,862,017
* TOTAL SUPPORT	<u>\$17,163,971</u>

*95% of FY21 Local Real Estate Taxes Supports Local Education; the equivalent of \$.68 cents out of every \$.72 cents in Real Estate Tax Rate.

As noted previously, one of the largest components of the General Fund budget is the local contribution to schools.

Including debt, about 54% of local funds within the general fund budget are allocated to schools (46% of total GF budget).

The local contributions to School Operations and the School Nursing Program for FY21 is presently funded at the same level as in FY20. Additionally, 3 School Resources Officers are funded at the same level as in FY20 within the General Fund budget. In FY20, \$859,913 was reserved for School Capital, with most of the funds being approved for expenditure. While no new capital funding is presently included, FY20 approved funds not expended by June 30th, will be re-appropriated to cover the remaining costs expended in FY21. The county also funds \$1,862,017 in school related debt.

Given the Total Contribution, not including debt, approximately 86% or \$.62 cents out of every \$.72 cents in Real Estate tax rate supports the Schools. Including School Debt, this % increases to 95% or \$.68 cents out of every \$.72 cents in RE Tax rate.

With estimated school enrollment of 1589, this level of local funding provides a per pupil local expenditure amount of \$10,803. FY21 Local Education funding of \$17,163,971 coupled with State, Federal, and other funding for schools of \$11,667,981, yields an expenditure amount of \$18,146 per pupil.

Local Contribution to Schools Additional Funding

In Recent Fiscal Years the BOS Approved Additional Funding For:

- ▶ Replacement of NCHS Tennis Courts and Other Capital Projects
- ▶ 3 School Resource Officers (continued in FY21)
- ▶ FFA National competition travel and championship jackets/rings
- ▶ NMS and NCHS FFA Teaching/Advising Positions
- ▶ Elementary School Destination Imagination Team(s) National competition travel
- ▶ Matching funds for a School Security grant
- ▶ Use of end of year savings for capital needs.

Throughout the year, the Board considers requests for additional funding for school-related needs. In FY19, Additional funding was provided for replacement of NCHS Tennis Courts, funding for 3 School Resource Officers, funding for FFA national competition travel and championship jackets/rings, funding for maintenance of 12 months contracts NMS and NCHS FFA Teaching/Advising positions. funding for Elementary School Destination Imagination Team national competition travel, and matching funds for a School Security grant. Additionally, in recent history, the Board has allowed the School Division to use end of year savings for its capital needs.

Required Local Contribution to Schools for Enrollment of 1,589

- ▶ Local Composite Index (LCI) - The formula by which the State determines the percentage split between State and Local Funding for education.
- ▶ Nelson County's LCI for 2020-2022 is 0.5604
- ▶ Based on enrollment of 1,589 students, the County's required local contribution to Schools for FY21 is **\$7,491,081**.
- ▶ FY21 Local Contribution for operations (\$15,094,822) exceeds the required local contribution by **\$7,603,741**.
- ▶ Board of Supervisors provides the local contribution to the School Division; however the School Board and Administration decide how to budget and spend those funds.

The Local Composite Index is the State's formula for determining a locality's ability to pay; the higher the index, the lower the amount of funds received from the State. Nelson's LCI is high primarily due to the fact that total real property values unadjusted for the County's Land Use Program (true values of real estate) are used, which overstates the County's potential real property tax revenue and therefore the County's ability to pay. Legislation was introduced in the 2019 General Assembly to incorporate the land-use assessment value for those properties located within a land-use plan in the LCI formula and was "passed by indefinitely" by the Senate Finance Committee.

Nelson County Schools are well funded. Operational funding for Schools including the nursing program is proposed at \$15,094,822 (\$14,929,887 operations and \$164,935 nursing). For student enrollment of 1589, this funding exceeds the required Virginia Department of Education funding (Required Local Effort) of \$7,491,081 by \$7,603,741 [which equates to \\$31.8 cents in Real Estate Taxes](#).

Board of Supervisors provides the local contribution to the School Division; however the School Board and Administration decide how to budget and

spend those funds.

Other School Fund Revenues

► State:	\$8,899,418
► Federal:	\$1,900,211
► Other:	\$ 868,352
Total School Fund	\$26,762,803

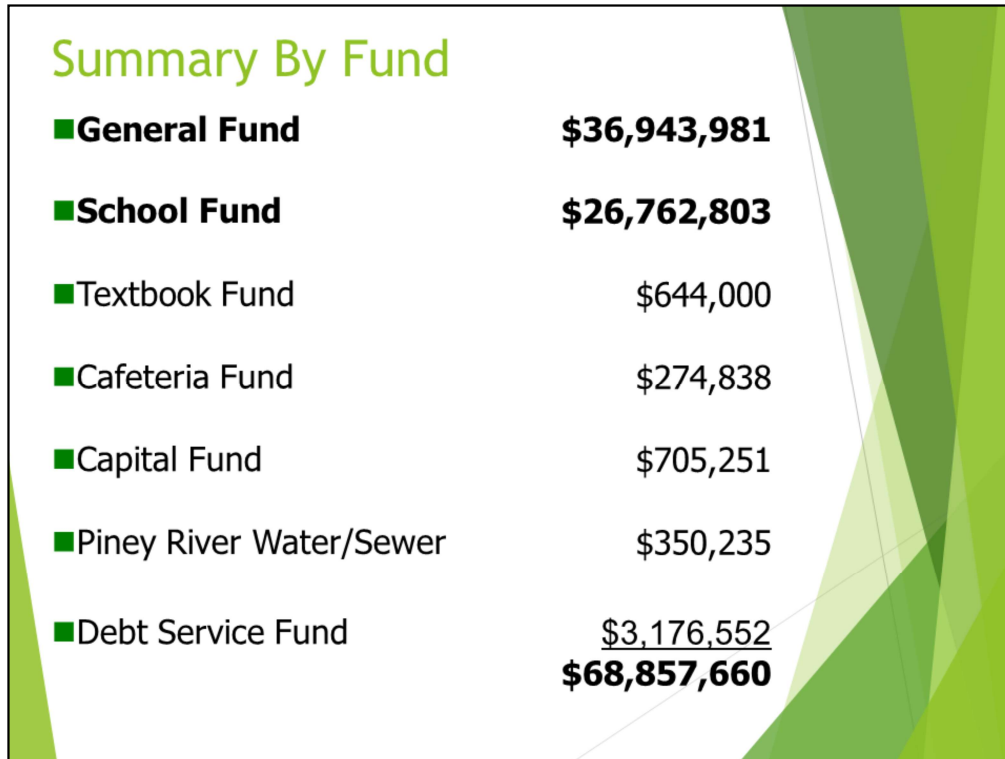
In addition to local funding, the School Division also receives revenues from other sources, State, Federal, and Other which is comprised of reimbursements for field trips, dual enrollment, and telecommunications rebates etc.

FY20-21 Proposed SCHOOL FUND BUDGET COMPARED TO FY19-20

FY19-20	\$27,556,718
FY20-21	\$26,762,803
<u>Decrease</u>	\$ 793,915
% Change	-2.8%

***Operations Budget only (excludes capital, debt & SRO's)**

The FY20 School Fund budget as advertised and based upon an enrollment of 1712 compared to the FY21 advertised budget based on an enrollment of 1589 reflects an overall decrease of \$793,915; which is directly related to the decline in enrollment of 123 students between the start of the two budget years.



To conclude, all the funds that make up the county budget are denoted here totaling about 68.8 million .

Additional information regarding each fund has been provided in the handouts, but should you have questions or want further information, we will be glad to provide that to you.

Thank you. This concludes the presentation.